

Office of the State Auditor
Division of State Audit

Minot State University –
Bottineau Campus
Bottineau, North Dakota

Audit Report for the
Biennium Ended June 30, 2007
Client Code 24300

Robert R. Peterson
State Auditor



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Transmittal Letter

January 14, 2008

The Honorable John Hoeven, Governor
Members of the North Dakota Legislative Assembly
Dr. Ken Grosz, Campus Dean, Minot State University - Bottineau Campus

We are pleased to submit this audit of Minot State University - Bottineau Campus for the biennium ended June 30, 2007. This audit resulted from the statutory responsibility of the State Auditor to audit or review each state agency once every two years. The same statute gives the State Auditor the responsibility to determine the contents of these audits.

In determining the contents of the audits of state agencies, the primary consideration was to determine how we could best serve the citizens of the state of North Dakota. Naturally we determined financial accountability should play an important part of these audits. Additionally, operational accountability is addressed whenever possible to increase efficiency and effectiveness of state government.

The in-charge auditor for this audit was Mary Feltman, CPA. John Grettum, CPA was the audit manager. Inquiries or comments relating to this audit may be directed to the audit manager by calling (701) 239-7289. We wish to express our appreciation to Dr. Grosz and his staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

Robert R. Peterson
State Auditor

Executive Summary

INTRODUCTION

A referendum in 1894 stated that a school of forestry should be located in Bottineau, North Dakota, to provide, in addition to forestry, comprehensive junior college curricula. Additional one and two-year programs were continually developed, expanding the educational base. The North Dakota Century Code identified the role of Minot State University-Bottineau Campus as offering programs in agriculture, forestry, and horticulture. This, in turn, encouraged the institution to specialize and expand upon its offerings in the natural resources.

The relationship between the School of Forestry and the North Dakota State University was first established in 1968 when the Board of Higher Education approved the "administrative attachment" of the two institutions. The School of Forestry became known as North Dakota State University-Bottineau Branch and Institute of Forestry at that time. In 1987, the name was again modified to North Dakota State University-Bottineau.

In April of 1996, the North Dakota State Board of Higher Education affiliated the college with Minot State University. The name of the school was changed to Minot State University-Bottineau Campus at that time. This realignment has been a most productive one, bringing a variety of material rewards to both campuses.

More information may be obtained from Minot State University-Bottineau's home page at: <http://www.misu-b.nodak.edu/>

RESPONSES TO LAFRC AUDIT QUESTIONS

The Legislative Audit and Fiscal Review Committee (LAFRC) requests that certain items be addressed by auditors performing audits of state agencies.

1. What type of opinion was issued on the financial statements?

Unqualified.

2. Was there compliance with statutes, laws, rules, and regulations under which the agency was created and is functioning?

Yes.

3. Was internal control adequate and functioning effectively?

Other than our findings addressing "Online Approvals" (see page 13), "Accounts Receivable Reconciliation" (see page 14) and "Segregation of Duties" (see page 14), we determined internal control was adequate.

4. *Were there any indications of lack of efficiency in financial operations and management of the agency?*

No.

5. *Has action been taken on findings and recommendations included in prior audit reports?*

There were no findings or recommendations in the prior audit report.

6. *Was a management letter issued? If so, provide a summary below, including any recommendations and the management responses.*

Yes, a management letter was issued and is included on page 17 of this report, along with management's response.

LAFRC AUDIT COMMUNICATIONS

1. *Identify any significant changes in accounting policies, any management conflicts of interest, any contingent liabilities, or any significant unusual transactions.*

There were no significant changes in accounting policies, no management conflicts of interest were noted, no contingent liabilities were identified or significant unusual transactions.

2. *Identify any significant accounting estimates, the process used by management to formulate the accounting estimates, and the basis for the auditor's conclusions regarding the reasonableness of those estimates.*

The most significant accounting estimates used by Minot State University - Bottineau Campus include: useful lives of capital assets and allowance for uncollectible receivables. Estimated useful lives are used to compute depreciation on capital assets. Management's estimate of the allowance for uncollectible receivables is based on aging categories and past history. We evaluated the key factors and assumptions used to develop the allowances in determining that it is reasonable in relation to the financial statements taken as a whole.

3. *Identify any significant audit adjustments.*

In our fiscal years 2007 and 2006 North Dakota University System audit reports, all of the material adjustments we proposed for Minot State University - Bottineau Campus were recorded. See Posted Audit Adjustments 10 and 12 on page 24 of the 2007 North Dakota University System audit

report and Posted Audit Adjustment 3 on page 16 of the 2006 report.

4. *Identify any disagreements with management, whether or not resolved to the auditor's satisfaction relating to a financial accounting, reporting, or auditing matter that could be significant to the financial statements.*

None.

5. *Identify any serious difficulties encountered in performing the audit.*

None.

6. *Identify any major issues discussed with management prior to retention.*

This is not applicable for audits conducted by the Office of the State Auditor.

7. *Identify any management consultations with other accountants about auditing and accounting matters.*

None.

8. *Identify any high-risk information technology systems critical to operations based on the auditor's overall assessment of the importance of the system to the agency and its mission, or whether any exceptions identified in the six audit report questions to be addressed by the auditors are directly related to the operations of an information technology system.*

ConnectND Finance, Human Resource Management System (HRMS) and Student Administration are high-risk information technology systems critical to Minot State University - Bottineau Campus.

Background Information

The elements of the constitutionally mandated mission for Minot State University - Bottineau Campus clearly highlight the uniqueness of the Institution. It is the Institution's responsibility to provide training to meet a variety of area needs. The College achieves its mission by providing specialized technical programs in agriculture, environmental/natural resource studies, and business as well as through traditional curriculum that transfer to baccalaureate programs. The opportunities for experiential learning in attractive outdoor settings allow the unique educational programs on this campus to be intensified. A commitment to "hands-on" learning and the use of natural resource laboratories are common instructional techniques. The proximity of the campus to the International Peace Garden, J. Clark Salyer National Refuge, Denbigh Experimental Forest, the Turtle Mountains, and the offices of the North Dakota Forest Service provide a natural setting to support unique training programs serving all constituents.

More information can be obtained from the agency's home page at: <http://www.misu-b.nodak.edu/>.

Audit Objectives, Scope, And Methodology

Audit Objectives

The objectives of this audit of Minot State University - Bottineau Campus for the biennium ended June 30, 2007 were to provide reliable, audited financial statements and to answer the following questions:

1. What are the most important areas of Minot State University - Bottineau Campus's operations and is internal control adequate in these areas?
2. What are the significant and high-risk areas of legislative intent applicable to Minot State University - Bottineau Campus and are they in compliance with these laws?
3. Are there areas of Minot State University - Bottineau Campus's operations where we can help to improve efficiency or effectiveness?

Audit Scope

This audit of Minot State University - Bottineau Campus for the biennium ended June 30, 2007 was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. To meet the objectives outlined above, we:

Audit Methodology

- Prepared condensed financial statements from the data used in the North Dakota University System's financial statement audits and developed a discussion and analysis of the financial statements.
- Tested and analyzed samples of expenses, direct general ledger transactions (ONL's), and receipts.
- Performed detailed analytical procedures related to statement of net asset items, revenue and expenses, and statement of cash flow items.
- Reviewed prior year audit workpapers.
- Interviewed appropriate agency personnel.
- Reviewed Minot State University - Bottineau Campus written plans and applicable manuals.
- Observed Minot State University - Bottineau Campus's processes and procedures.
- Reviewed applicable sections in the North Dakota Century Code (NDCC), North Dakota Constitution, and appropriate session laws.
- Reviewed applicable meeting minutes.

Discussion And Analysis

The accompanying financial statements do not have the disclosures required by generally accepted accounting principles (GAAP) and have been prepared in a condensed form to present Minot State University - Bottineau Campus's financial position and the results of operations in a manner similar to that used for financial reporting in the private sector. Accordingly, the accompanying financial statements are not intended to be presented in accordance with generally accepted accounting principles.

For the biennium ended June 30, 2007, operations of Minot State University - Bottineau Campus were primarily supported by appropriations from the state's general fund (32%), capital grants and gifts (21%), student tuition and fees (14%), federal grants and contracts (12%), and auxiliary enterprises (12%). This is supplemented by state and local grants and contracts, gifts, and state appropriation for capital assets.

FINANCIAL SUMMARY

Operating revenues consisted primarily of student tuition and fees, as well as federal grants and contracts and auxiliary enterprises. Nonoperating revenues during the audited period included state appropriations, capital grants and gifts. These revenues remained fairly consistent between fiscal years 2007 and 2006, except for capital grants which increased \$2.8 million because of bond proceeds for the Thatcher Hall renovation. Total revenues were \$8,001,792 for the year ended June 30, 2007 as compared to \$5,495,464 for the year ended June 30, 2006.

Total expenses for Minot State University - Bottineau Campus were \$5,539,266 for the year ended June 30, 2007 as compared to \$5,231,181 for the prior year. The increase in total expenses for the audit period was primarily due to equipment purchases for the Thatcher Hall addition for \$100,000, \$40,000 for men's hockey and basketball travel expenses and \$25,000 for biennial printing costs.

ANALYSIS OF SIGNIFICANT VARIANCES BETWEEN FINAL BUDGETED AND ACTUAL EXPENSES

Minot State University - Bottineau Campus had no significant variances for the general fund expenses as reflected on the statement of appropriations.

Financial Statements

STATEMENT OF NET ASSETS

	June 30, 2007	June 30, 2006
ASSETS		
Cash and cash equivalents	\$ 766,882	\$ 467,185
Investments	67,091	60,000
Accounts receivable, net	82,111	83,799
Due from state general fund	21,375	
Grants and contracts receivables, net	96,166	94,619
Inventories	103,103	100,740
Notes receivable, net	301,251	322,779
Other assets	8,648	(4,935)
Capital assets, net	4,422,118	2,494,234
Total assets	\$ 5,868,745	\$ 3,618,421
LIABILITIES		
Accounts payable	\$ 52,280	\$ 211,306
Accrued payroll	72,246	82,162
Deferred revenue	12,034	8,340
Deposits	13,792	14,221
Other liabilities	4,640	2,490
Due to others	514,991	563,706
Total liabilities	\$ 669,983	\$ 882,225
NET ASSETS		
Invested in capital assets, net of related debt	\$ 4,041,785	\$ 2,050,717
Restricted for:		
Expendable:		
Scholarships and fellowships	1,789	2,795
Instructional department uses	131,033	102,421
Loans	312,376	309,896
Capital projects	118,741	
Debt service	62,682	58,281
Unrestricted	530,356	212,086
Total net assets	\$ 5,198,762	\$ 2,736,196

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
OPERATING REVENUES		
Student tuition and fees	\$ 1,049,617	\$ 896,344
Federal grants and contracts	807,724	763,264
State and local grants and contracts	133,696	126,708
Nongovernmental grants and contracts	4,909	1,500
Sales and services of educational departments	105,531	98,692
Auxiliary enterprises	851,636	772,214
Other	4,272	3,578
Total operating revenues	<u>\$ 2,957,385</u>	<u>\$ 2,662,300</u>
OPERATING EXPENSES		
Salaries and wages	\$ 3,151,807	\$ 3,030,148
Operating expenses	1,493,909	1,319,736
Data processing	80,619	60,331
Depreciation	177,240	250,042
Scholarships and fellowships	358,546	320,435
Cost of sales and services	253,739	226,278
Total operating expenses	<u>\$ 5,515,860</u>	<u>\$ 5,206,970</u>
Operating loss	<u>\$ (2,558,475)</u>	<u>\$ (2,544,670)</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	\$ 2,201,237	\$ 2,137,925
Gifts	340,944	156,061
Investments income	29,413	25,927
Interest on capital asset-related debt	(23,366)	(20,421)
Loss on capital assets		(3,790)
Insurance proceeds		56,000
Other nonoperating revenues	300	
Net nonoperating revenues	<u>\$ 2,548,528</u>	<u>\$ 2,351,702</u>
Income before capital grants, gifts, and transfers	<u>\$ (9,947)</u>	<u>\$ (192,968)</u>
State appropriations-capital assets	\$ 73,054	\$ 25,662
Capital grants and gifts	2,399,459	431,589
Total other revenue	<u>\$ 2,472,513</u>	<u>\$ 457,251</u>
Increase in net assets	<u>\$ 2,462,566</u>	<u>\$ 264,283</u>
NET ASSETS		
Net Assets-beginning of the year	2,736,196	2,471,913
Net Assets-end of the year	<u>\$ 5,198,762</u>	<u>\$ 2,736,196</u>

STATEMENT OF CASH FLOWS

	June 30, 2007	June 30, 2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	\$ 1,048,994	\$ 896,687
Grants and contracts	944,782	796,853
Payments to suppliers	(1,885,598)	(1,565,388)
Payments to employees	(3,155,608)	(3,041,230)
Payments for scholarships and fellowships	(358,546)	(320,435)
Loans issued to students	(49,529)	(74,497)
Collection of loans to students	63,432	54,222
Auxiliary enterprise charges	851,877	772,973
Sales and service of educational departments	117,690	65,642
Cash collected (paid) on deposits	1,741	(2,194)
Other (payments) receipts	(9,311)	8,187
Net cash used by operating activities	\$ (2,430,076)	\$ (2,409,180)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	\$ 2,179,862	\$ 2,137,925
Grants and gifts received for other than capital purposes	340,944	156,061
Agency fund cash (decrease) increase	(8,594)	4,835
Other nonoperating revenue (expenses)	2,448	(392)
Net cash flows provided by noncapital financing activities	\$ 2,514,660	\$ 2,298,429
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of debt		
Capital appropriations	\$ 73,054	\$ 25,662
Capital grants and gifts received	2,399,459	431,589
Purchases of capital assets	(2,201,419)	(377,762)
Insurance proceeds		56,000
Principal paid on capital debt and lease	(54,784)	(50,143)
Deposits with capital debt payment trustees	(7,091)	8,487
Interest paid on capital debt and lease	(23,366)	(20,815)
Net cash used by capital and related financing activities	\$ 185,853	\$ 73,018
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	\$ 29,260	\$ 25,916
Net cash provided by investing activities	\$ 29,260	\$ 25,916
Net increase (decrease) in cash	\$ 299,697	\$ (11,817)
CASH - BEGINNING OF YEAR	467,185	479,002
CASH - END OF YEAR	\$ 766,882	\$ 467,185

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**RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

	June 30, 2007	June 30, 2006
Operating loss	\$ (2,558,475)	\$ (2,544,670)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities		
Depreciation expense	177,240	250,042
Change in assets and liabilities		
Accounts receivable adjusted for interest receivable	41	(24,357)
Grant and contract receivables	(1,547)	(94,619)
Inventories	(2,363)	
Notes receivable	21,528	8,858
Other assets	(13,583)	4,610
Accounts payable and accrued liabilities adjusted for interest payable	(54,553)	4,390
Accrued payroll	(9,870)	(5,660)
Compensated absences	6,069	(5,422)
Deferred revenue	3,694	(158)
Deposits	1,743	(2,194)
Net cash used by operating activities	\$ (2,430,076)	\$ (2,409,180)

STATEMENT OF APPROPRIATIONS

For The Biennium Ended June 30, 2007

Expenses by line item	Original Appropriation	Adjustments	Final Appropriation	Expenses	Unexpended Appropriation
Operating expenses	\$ 4,334,460	\$ 4,702	\$ 4,339,162	\$ 4,339,162	
Capital assets	3,609,725		3,609,725	109,725	\$ 3,500,000
Capital assets - off system					
Thatcher Hall addition	2,500,000	168,000	2,668,000	2,551,298	116,702
Totals	\$ 10,444,185	\$ 172,702	\$ 10,616,887	\$ 7,000,185	\$ 3,616,702

Expenses by source					
General fund	\$ 4,444,185	\$ 4,702	\$ 4,448,887	\$ 4,448,887	
Special fund	6,000,000	168,000	6,168,000	2,551,298	\$ 3,616,702
Totals	\$ 10,444,185	\$ 172,702	\$ 10,616,887	\$ 7,000,185	\$ 3,616,702

Appropriation Adjustments:

Operating expenses

The \$4,702 increase in operating expenses is a transfer from North Dakota University System contingency fund for disabled student services.

Biennium carryover

The \$168,000 increase in the Thatcher Hall addition was approved by the budget section June 14, 2006. The funds are being provided by a private donor.

Internal Control

In our audit for the biennium ended June 30, 2007, we identified the following areas of Minot State University - Bottineau Campus's internal control as being the most important:

Internal Controls Subjected To Testing

- Controls surrounding the processing of revenues.
- Controls surrounding the processing of expenses.
- Controls effecting the safeguarding of assets.
- Controls relating to compliance with laws and legislative intent.
- Controls surrounding the ConnectND (PeopleSoft) system.

We gained an understanding of internal control surrounding these areas and concluded as to the adequacy of their design. We also tested the operating effectiveness of those controls we considered significant. We concluded that internal control was not adequate noting certain matters involving internal control and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect Minot State University - Bottineau Campus's operations or ability to record, process, summarize and report financial data consistent with the assertions of management in financial statements. Reportable conditions are described below. We also noted other matters involving internal control that we have reported to management of Minot State University - Bottineau Campus in the management letter located on page 17 of this report.

Finding 07-1

ONLINE APPROVALS

Minot State University - Bottineau Campus's online transactions are not being approved. In our test of 32 online transactions, none were approved.

Good internal controls require approval by an authorized person of all transactions that affect the general ledger. Failure to properly review and approve transactions increases the risk of undetected errors, fraud, and theft.

Audit Recommendation and Agency Response

Recommendation:

We recommend the Minot State University - Bottineau Campus print a standard form for all online transactions with approval noted or utilize the workflow function.

Minot State University - Bottineau Campus Response:

All on-line transactions that affect the general ledger are prepared by either the Director of Business Affairs or the Business Office Manager. These MiSU-BC positions are the only ones that have security and access to create and post a journal entry. Current practice requires the preparer to initial the printed version of the journal entry before filing the document. Beginning immediately, JEs created by the Business Office Manager will be initialed (approved) by the Director of Business Affairs and visa versa.

Finding 07-2

ACCOUNTS RECEIVABLE RECONCILIATION

The accounts receivable subsidiary ledger was not reconciled to the general ledger in fiscal year 2006 or fiscal year 2007.

Good internal controls require that subsidiary ledgers be reconciled to the general ledger in order to determine that amounts are proper and that they agree to the institutions records.

Audit Recommendation
and Agency Response

Recommendation:

We recommend the Minot State University - Bottineau Campus prepare timely reconciliations of the accounts receivable subsidiary ledgers to the general ledger.

Minot State University - Bottineau Campus Response:

Accounts receivable in the General Ledger (GL) has been reconciled for FY2008. During FY2006 and FY2007, errors in the setup for the Student Finance (SF) module and the lack of understanding of ConnectND interfaces between the GL and SF modules prohibited us from fully reconciling accounts receivable. The differences in accounts receivable between the two modules for FY2006 and FY2007 were not significant.

Finding 07-3

SEGREGATION OF DUTIES

Minot State University – Bottineau Campus's accountant has access to cash, prepares deposits, reconciles receipts to cash drawers, reconciles receipts to deposits, prepares bank reconciliations, reconciles deposits to PeopleSoft student finance, and reconciles student finance to the general ledger.

Good internal control procedures require that adequate management oversight controls must be utilized to compensate for a lack of segregation of duties. A concentration of duties assigned to a single position could result in a loss from fraud or theft.

Recommendation:

Audit Recommendation and Agency Response

We recommend the Minot State University - Bottineau Campus review the status of internal control surrounding cash, revenue, receivables, and payroll to provide adequate management oversight or the proper segregation of duties to ensure adequate safeguards of its assets.

Minot State University - Bottineau Campus Response:

MiSU-B recognizes that the accountant position (Business Office Manager) has the ability and system access to perform all of the functions associated with cash, deposits and reconciliations. However, the accountant has never performed all of these duties. The small size of the business office staff necessitates that the Business Office Manager be able to perform most of the office functions in order that operations continue during staff absences. Although we believe that adequate separation of duties is in place to safeguard cash assets, we recognize these safeguards can be strengthened. Therefore, effectively immediately, we will remove the authority for the Office Manager to open or close the cash draw, to receipt and to prepare the reconciliation of the cash draw.

Compliance With Legislative Intent

In our audit for the biennium ended June 30, 2007, we identified and tested Minot State University - Bottineau Campus's compliance with legislative intent for the following areas that we determined to be significant and of higher risk of noncompliance:

Legislative Intent Subjected To Testing

- Determine if indebtedness of \$2,500,000 issued during the biennium beginning July 1, 2005 ending June 30, 2007 was used for the purpose of financing Minot State University - Bottineau Campus Thatcher Hall addition. (05 SB 2023, chapter 51, section 1)
- Proper use/approval of clearing account and petty cash/till funds (NDCC 54-06-08.1 and Attorney General's opinion dated September 11, 1987).
- BND used as credit card processing depository (NDCC 54-06-08.2).
- Deposit and expenses of gifts to a state institution (Article IX, Section 1 of the North Dakota Constitution; Attorney General's opinion dated September 13, 1963; NDCC 1-08-02, 08-04, 15-10-12, 15-67-01, 15-67-04, 15-67-05, and 15-67-07).
- Inventory records (NDCC 44-04-07).
- Expenses including proper voucher approvals (NDCC 44-08-05.1 and Article X, Section 12, subpart 2 of North Dakota Constitution) and being within budgeted amounts (NDCC 54-44.1-09, Article X, Section 12 of North Dakota Constitution and Attorney General's opinion dated January 6, 1977).
- Travel-related expenses are made in accordance with state statute (NDCC 44-08-04, 44-08-04.1-.5, and 44-08-04.3 and 54-06-09 parts 1a, 1b, 3, 4, 5, 6).
- Purchasing including bidding (NDCC 54-44.4-01, 54-44.4-05, 54-44.4-06, 54-44.7-02, 54-44.4-02, 44-08-01, and 48-01.1-03).
- Conflict of Interest (NDCC 12.1-13-03 and 48-02-12).
- Carryover of unexpended appropriations (NDCC 54-44.1-11).
- Adequate blanket bond coverage (NDCC 26.1-21-08).
- Unclaimed property laws (NDCC 47-30.1-04, 47-30.1-02.1, 47-30.1-03.1, and 47-30.1-05).
- Nepotism (NDCC 44-04-09).
- Bond Revenues and Reserves (NDCC 15-55-03 and 15-55-06).
- Misapplication of entrusted property (NDCC 12.1-23-07).

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. Thus, we concluded there was compliance with the legislative intent identified above.

Management Letter (Informal Recommendations)

January 14, 2008

Jim Borkowski
Director of Financial Affairs
Minot State University - Bottineau Campus
First & Simrall Blvd.
Bottineau, ND 58318

Dear Mr. Borkowski:

We have performed an audit of Minot State University - Bottineau Campus for the biennium ended June 30, 2007, and have issued a report thereon. As part of our audit, we gained an understanding of Minot State University - Bottineau Campus's internal control structure to the extent we considered necessary to achieve our audit objectives. We also performed tests of compliance as described in the same report.

Our audit procedures are designed primarily to enable us to report on our objectives including those related to internal control and compliance with laws and regulations and may not bring to light all weaknesses in systems and procedures or noncompliance with laws and regulations which may exist. We aim, however, to use our knowledge of your organization gained during our work to make comments and suggestions which we hope will be useful to you.

In connection with the audit, gaining an understanding of the internal control structure, and tests of compliance with laws and regulations referred to above, we noted certain conditions we did not consider reportable within the context of your audit report. These conditions relate to areas of general business practice or control issues that have no significant bearing on the administration of state, private or federal funds. We do, however, want to present our recommendations to you for your consideration and whatever follow-up action you consider appropriate. During the next audit we will determine if these recommendations have been implemented, and if not, we will reconsider their status as non-reportable conditions.

The following present our informal recommendations.

TRAVEL

Informal Recommendation 07-1:

We recommend that only student travel is charged to account 521105, not MISU-BC employees. Employees should charge travel related expenditures to employee travel accounts only.

Minot State University - Bottineau Campus Response:

We agree with the recommendation. Effective immediately, travel expenses related to the employee travel will not be classified to account 521105 but to the appropriate employee travel accounts.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Informal Recommendation 07-2:

We recommend that MISU-BC implement procedures to ensure that the allowance for doubtful accounts is adequate. This procedure should be done on at least an annual basis to ensure the financial statements fairly represent accounts receivable and related activity.

Minot State University - Bottineau Campus Response:

We agree with the recommendation. Although MiSU-BC did record an allowance for doubtful notes, the allowance for doubtful accounts receivable was mistakenly eliminated. The proper allowance for doubtful accounts will be recorded prior to the end of FY2008.

USE, TRANSFER AND DISPOSAL OF PUBLIC PROPERTY

Informal Recommendation 07-3:

We recommend that MISU-BC create and implement policies and procedures regarding the proper disposal, use and transfer of public property, as well as requiring written approval and acknowledgement of responsibilities regarding equipment that leaves the campus.

Minot State University - Bottineau Campus Response:

MiSU-BC currently has written a written policy relating to use of public property (page 19 of the Staff Handbook). The policy requires the use of the equipment loan form. The form contains the proper acknowledgement of responsibilities. This policy will be reviewed and expanded to include the proper disposal of public property.

I encourage you to call me (701) 239-7289 if you have any questions about the implementation of recommendations included in your audit report or this letter.

Sincerely,

John Grettum, CPA
Audit Manager